

**SOUTHWEST LOUISIANA
INDEPENDENCE CENTER, INC .
Lake Charles, Louisiana**

**Audit of Financial Statements
September 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I have audited the accompanying statement of financial position of Southwest Louisiana Independence Center, Inc., (a non-profit organization) as of September 30, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Independence Center, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 1, 2013 on my consideration of Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Lake Charles, Louisiana
February 1, 2013

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

Lake Charles, Louisiana

Statement of Financial Position

As of September 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 984,348
Grants receivable	367,888
Prepaid expenses	8,454
Other receivables	<u>3,500</u>
Total Current Assets	<u>1,364,190</u>

PROPERTY AND EQUIPMENT

Furniture and equipment	282,683
Building and improvements	<u>406,898</u>
	689,581
Less accumulated depreciation	<u>(270,547)</u>
	419,034
Land	<u>53,659</u>
Net Property and Equipment	<u>472,693</u>

OTHER ASSETS

Deposits	<u>5,032</u>
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TOTAL ASSETS

\$ 1,841,915

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 59,471
Accrued payroll and related expenses	202,928
Other accrued expenses	30,108
Current portion of notes payable	<u>8,593</u>
Total Current Liabilities	<u>301,100</u>

LONG TERM LIABILITIES

Notes payable - net of current portion	<u>168,806</u>
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TOTAL LIABILITIES

469,906

NET ASSETS

Unrestricted	<u>1,372,009</u>
Total Net Assets	<u>1,372,009</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 1,841,915

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

Lake Charles, Louisiana

Statement of Activities

For The Year Ended September 30, 2012

SUPPORT

Medicaid waiver program	\$ 3,295,446
Federal and state grants	704,233
Special events and other	<u>19,656</u>
Total Support	<u>4,019,335</u>

EXPENSES

Program expenses	3,674,004
Supporting services:	
Management and general	<u>62,288</u>
Total Expenses	<u>3,736,292</u>

CHANGE IN NET ASSETS	283,043
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NET ASSETS - BEGINNING OF YEAR	<u>1,088,966</u>
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NET ASSETS - END OF YEAR	<u><u>\$ 1,372,009</u></u>
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See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended September 30, 2012

Cash Flows From Operating Activities	
Change in net assets	\$ 283,043
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	31,542
(Increase) decrease in operating assets:	
Grants receivable	(82,841)
Prepaid expenses	(142)
Other assets	1,225
Increase (decrease) in operating liabilities:	
Accounts payable	2,508
Accrued payroll and related expenses	29,968
Other accrued expenses	(1,802)
Total Adjustments	(19,542)
Net Cash Provided (Used) By Operating Activities	263,501
 Cash Flows From Investing Activities	
Purchase of property and equipment	(60,004)
Net Cash Used By Investing Activities	(60,004)
 Cash Flows From Financing Activities	
Principal payments on bank loans	(8,802)
Net Cash Provided (Used) by Financing Activities	(8,802)
 Net Increase (Decrease) In Cash	194,695
 Cash - Beginning of Year	789,653
 Cash - End of Year	\$ 984,348
 Supplemental Disclosure:	
Interest paid	\$ 11,914

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Functional Expenses
For The Year Ended September 30, 2012

	Program Services	Supporting Services, Management & General	Total
Advertising	\$ 16,297	\$ -	\$ 16,297
Audit expense	13,175	-	13,175
Bank service charges	1,508	-	1,508
Depreciation	-	31,542	31,542
Education and training	3,980	-	3,980
Housekeeping	7,525	-	7,525
Insurance	109,167	-	109,167
Payroll taxes/fringe expense	326,914	-	326,914
Postage	6,050	-	6,050
Purchased services	20,264	-	20,264
Interpreting services	56,401	-	56,401
Rent	37,850	-	37,850
Repairs and maintenance	32,851	-	32,851
Salaries	2,933,175	-	2,933,175
Supplies	31,063	-	31,063
Telephone	27,520	-	27,520
Travel	24,513	-	24,513
Utilities	13,133	-	13,133
Legal fees	1,040	-	1,040
Interest	-	11,914	11,914
Miscellaneous	11,578	18,832	30,410
	<u> </u>	<u> </u>	<u> </u>
Total Program Expenses	<u>\$ 3,674,004</u>	<u>\$ 62,288</u>	<u>\$ 3,736,292</u>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

Notes to Financial Statements

September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Southwest Louisiana Independence Center, Inc. was organized under Section 501 (c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing support services to the physically disabled and their families. A significant portion of the Center's revenues are Medicaid payments received for providing patient care services to Medicaid eligible individuals. The Center also receives grants from the U.S. Department of Education and the State of Louisiana Department of Social Services. The Center is not classified as a private foundation by the Internal Revenue Service.

Income Taxes

The Center is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements.

Basis of Accounting

The accompanying financial statements of Southwest Louisiana Independence Center, Inc. have been prepared on the accrual basis of accounting.

Grants, miscellaneous contributions of cash, and other assets are reported as unrestricted support unless donor stipulations are not removed during the fiscal year.

Cash and Cash Equivalents

The Center had bank deposits of \$986,050 at September 30, 2012 and a carrying value of \$984,348, which includes \$500 in petty cash.

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Center maintains all cash balances in one financial institution. These balances were insured in full by the Federal Deposit Insurance Corporation (FDIC) as of September 30, 2012. Effective January 1, 2013, unlimited FDIC insurance on non-interest bearing accounts will no longer be available. The first \$250,000 in total cash balances will be insured. Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Center deposits its cash with high quality financial institutions, and management believes that the Center is not exposed to significant credit risk on those amounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment/Depreciation and Amortization

Property and equipment are recorded at their historical cost. Donated assets are recorded at their estimated fair value on the date of the donation. Capital assets are defined as those acquired with an initial individual cost of more than \$500.

Furniture and equipment are being depreciated over estimated useful lives of three to fifteen years. The building is being depreciated over an estimated useful life of thirty-five years. The straight-line method of depreciation is being utilized. Depreciation expense was \$31,542 for the year ended September 30, 2012.

Compensated Absences

The Center has a contingent liability in the amount of \$14,054 at September 30, 2012 for unused vacation and earned time off. Sick leave is not vested, therefore no accrual is reflected in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$16,297 for the year ended September 30, 2012.

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2012:

Property and Equipment, October 1, 2011	\$ 683,236
Additions for the Year Ended September 30, 2012	6,345
Disposals for the Year Ended September 30, 2012	<u>-0-</u>
Property and Equipment, September 30, 2012	<u>\$ 689,581</u>
Accumulated Depreciation, October 1, 2011	\$ 239,005
Depreciation for the Year Ended September 30, 2012	31,542
Less Depreciation on Disposed Assets for the Year Ended September 30, 2012	<u>-0-</u>
Accumulated Depreciation, September 30, 2012	<u>\$ 270,547</u>
Net Book Value, September 30, 2012	<u>\$ 419,034</u>

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2012

NOTE 3 - GRANTS RECEIVABLE

Grants receivable at September 30, 2012 consisted of reimbursements for expenses incurred in the following programs:

<u>Program</u>	<u>Amount</u>
Title VII-C	\$ 17,715
Telecommunications Device Distribution	2,010
State Personal Care Attendant Contract	12,132
State Independent Living Contract	29,893
Elderly Disabled Adults	239,594
SLIC Interpreting	2,168
Family Support Services	714
Children's Choice	3,423
Long Term Personal Care Services	47,659
Recovery Act	7,003
Supplemental Employment	5,577
Total Receivable	<u>\$ 367,888</u>

NOTE 4 - OPERATING LEASE

The Center currently leases office space for the Lafayette and Leesville offices. The current lease agreement for the Lafayette site is a 24 month lease beginning July 1, 2011 with a monthly fee of \$2,233. The current lease agreement for the Leesville site is for a twelve month renewal period effective February 15, 2012 with a monthly fee of \$850. Total rent expense reflected in these financial statements for the year ended September 30, 2012 was \$37,850.

The following is a schedule of future minimum rentals under lease for the year ending September 30:

2013	\$23,922
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NOTE 5 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. Management is not aware of any disallowed costs as of September 30, 2012.

NOTE 6 - RISK MANAGEMENT

The Center has purchased commercial insurance for its general liability and worker's compensation insurance. They have not retained any risk with relation to these activities.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2012

NOTE 7 - ECONOMIC DEPENDENCY

The Center receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

NOTE 8 - RETIREMENT PLAN

The Center participates in a SIMPLE IRA retirement plan for the benefit of its employees. The plan allows employees who anticipate earning more than \$5,000 in the current year to participate and allows them to contribute a percentage of their pay or a flat dollar amount up to a maximum annual contribution of \$10,500. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. The employer may elect, upon advance notice to the employees, to make a maximum match of less than 3% but not less than 1% of employee's compensation; however, this election can only be made during two out of any consecutive five year period. Employer matching contributions for the fiscal year ended September 30, 2012 was \$10,486.

NOTE 9 - SUBSEQUENT EVENT

The Center evaluated its September 30, 2012 financial statements for subsequent events through February 1, 2013, the date the financial statements were available to be issued. The Center is not aware of any subsequent events which require recognition or disclosure in the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Notes to Financial Statements (Continued)
September 30, 2012

NOTE 10 -NOTES PAYABLE

Notes payable as of September 30, 2012 consisted of the following:

Bank note payable, due in 179 equal monthly installments of \$1,655.95, and one final payment of \$1,655.53 to be paid March 24, 2026, including interest at 6.5%, collateralized by real estate with a carrying value of \$406,868.	<u>\$ 177,399</u>
Total debt	177,399
Less current portion	<u>8,593</u>
Long-term debt	<u><u>\$ 168,806</u></u>

Maturities of debt are as follows:

<u>September 30:</u>	<u>Amount</u>
2013	\$ 8,593
2014	9,169
2015	9,783
2016	10,438
2017	11,137
Thereafter	<u>128,279</u>
Total	<u><u>\$ 177,399</u></u>

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Summary of Independent Auditors' Results
September 30, 2012

Financial Statements

Type of auditor's report issued			Unqualified
Internal control over financial reporting:			
Material weaknesses identified?	<u> x </u>	Yes	<u> </u> No
Significant deficiency identified not considered to be a material weakness?	<u> x </u>	Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> x </u> No

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I have audited the financial statements of Southwest Louisiana Independence Center, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued my report thereon dated February 1, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Southwest Louisiana Independence Center, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Compliance and Internal Control over Financial Reporting, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in item 2012-2 in the accompanying Schedule of Compliance and Internal Control over Financial Reporting to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in item 2012-1 in the accompanying Schedule of Compliance and Internal Control over Financial Reporting to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Louisiana Independence Center, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwest Louisiana Independence Center, Inc.'s response to the findings identified in my audit is described in the accompanying Schedule of Compliance and Internal Control over Financial Reporting. I did not audit Southwest Louisiana Independence Center, Inc.'s responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the management of Southwest Louisiana Independence Center, Inc., the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

 Steven M. DeRover & Associates

Lake Charles, Louisiana
February 1, 2013

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
SCHEDULE OF COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING
FOR THE YEAR ENDED SEPTEMBER 30, 2012

I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)

(ICG-2012-1) Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the Center. We did note that management and the board of directors have taken steps to perform independent review of the items processed through the accounting system and strengthen its internal controls.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendation: We recommend that the Center's management and board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Management Response: SLIC's management and board of directors shall continue to perform independent review of items processed through the accounting system in order to strengthen its internal controls.

(ICG-2012-2) Financial Statement Reporting

The Center relies on the auditing firm to prepare the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Center's internal control structure and because of the limitations of the accounting staff, the design of the Center's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)

(ICG-2011-1) Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the Center. We did note that management and the board of directors have taken steps to perform independent review of the items processed through the accounting system and strengthen its internal controls.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendations: We recommend that the Center's management and board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Management Response: SLIC management and board of directors shall continue to perform independent review of items processed through the accounting system in order to strengthen its internal controls.

(ICG-2011-2) Financial Statement Reporting

The Center relies on the auditing firm to prepare the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Center's internal control structure and because of the limitations of the accounting staff, the design of the Center's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.